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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Office of Finance Instruction No. 131

CIA Retirement and Disability Fund

DD / S R E G I S T R Y

FROM:

Director of Finance
1212 Key Building

EXTENSION

NO. FILE

DATE

15 March 1968

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TO: (Officer designation, room number, and building)

DATE

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. DD/S
7 D 24 HQS.
ATTN: Mr. CoffeyAttached for your information
is copy of Finance Instruction No.
131, Subject: CIA Retirement and
Disability Fund. This is in re-
sponse to Recommendation No.
13.b. of recent IG Report.

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R. H. FUCHS

Director of Finance

MOR/CDF 3-24

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OFFICE OF FINANCE INSTRUCTION SHEET
NO. 25

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REMOVE			INSERT			EXPLANATION
ISSUANCE NOS.	PAGE NOS.	DATE	ISSUANCE NOS.	PAGE NOS.	DATE	
			OFI 131	All	2/29/68	This is a new Instruction outlining the responsibilities of the Director of Finance in the administration of the Agency Retirement and Disability System. Tabs A thru C summarize certain key memorandums as well as prescribe procedures to be followed in the investment of System funds and in the preparation of financial statements.
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<p>Approved: </p> <p style="text-align: center;">/ Director of Finance</p>						<p style="text-align: right;"><i>29 Feb 68</i> Date</p>

Distribution: LIMITED

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29 February 1968

OFFICE OF FINANCE INSTRUCTION NO. 131

SUBJECT : CIA Retirement and Disability Fund

REFERENCE: [] dated 27 April 1965

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1. PURPOSE

This instruction provides an outline of the responsibilities of the Director of Finance for the administration of the CIA Retirement and Disability Fund (hereafter referred to as the Fund) established pursuant to P. L. 88-643, approved 30 October 1964, and as authorized by the reference regulation.

2. GENERAL

- a. Activity for actual implementation of the CIA Retirement and Disability System (CIARDS) began in April 1965 upon publication of reference regulation. Since CIARDS was an entirely new activity for the Agency, many new authorities and responsibilities had to be undertaken by various offices and components. The CIA Retirement Board was created to assist and advise the Director of Personnel in the administration of CIARDS. New forms and procedures were developed. []

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[] with the Agency. Operations similar to those performed by the Civil Service Commission were devised to be administered by the Office of Personnel and the Office of Finance, as applicable.

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- b. Certain aspects of administering the CIARDS required collaboration with other Federal agencies.
- c. Tab A attached provides a summary of memorandums and letters pertaining to specific actions and authorizations pertaining to the administration of the Fund.

3. RESPONSIBILITIES

Chiefs of Divisions of the Office of Finance shall develop detailed procedures for the financial administration within their respective Divisions in satisfaction of the responsibilities outlined below or which may arise in the future. Procedures or policies which concern other Divisions of this Office, other offices or components, or other Federal agencies should be coordinated through the Policy and Planning Staff. Areas of general responsibilities are outlined as follows:

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GROUP 1

Excluded from automatic
downgrading and
declassification

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a. Chief, Compensation and Tax Division shall:

- (1) Withhold the contributions required by law from compensation due individuals officially documented by the Office of Personnel as participants in CIARDS.
- (2) Forward the Individual Retirement Record, Form 2806, to the CSC for each new participant; request transfer of all prior service records and contributions including accrued interest thereon from the Civil Service Commission.
- (3) Upon receipt of notice from the Office of Personnel that a participant wishes to make a deposit or redeposit to purchase credit for prior service, compute the amount of contributions and applicable interest due for such prior periods of service.
- (4) Maintain an individual record of each participant's current contributions, and contributions for prior service transferred or purchased.

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- (6) Record voluntary contributions by participants in CIARDS for the purchase of additional annuity benefits.
- (7) Refund all contributions, with interest where applicable, to separated participants who request the refund or who are not eligible for a deferred annuity; for participants who transfer to another Federal agency, transfer their compulsory contributions, with applicable interest to the appropriate retirement system, and refund voluntary contributions with interest. In cases of participants who subsequently become disqualified but who remain Agency employees, transfer compulsory contributions, with applicable interest to the CSC retirement system and refund voluntary contributions with interest.
- (8) Certify for payment from CIARDS funds, approved vouchers received from the Office of Personnel for medical and related travel expenses authorized on behalf of disability cases.

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- (9) Maintain records of contributions for participants who separate with eligibility for a deferred annuity.
- (10) Upon receipt of notification from the Office of Personnel that a participant has retired or that he has died and there are survivors entitled to benefits, consolidate all the retirement records and compute benefits payable; upon receipt of information from O/P, (a) recompute and adjust benefit payments when applicable because of changed conditions of annuitants or survivors; and (b) make residual lump sum payments as required as a result of discontinuance of annuities when the annuitant's contributions to the Fund plus applicable interest exceed annuity benefits paid.
- (11) Establish annuity rolls for the regular payment of annuity benefits; deduct authorized withholdings, such as cost of health benefit plans; arrange when determined necessary
- (12) When a cost of living adjustment is authorized and provided by the CIA Retirement Act, or by a revision thereto, recompute annuity and survivor benefit payments as of the effective date provided, upon receipt of a memorandum from the Office of Personnel.
- (13) Devise procedures wherever feasible, for the utilization of computer services to prepare schedules of annuity payments, maintain subsidiary records and accounts and other Fund records including those data related to actuarial analysis.
- (14) Account for Fund financial transactions as prescribed in the Chart and Description of Accounts, CIA Retirement and Disability Fund.
- (15) Initiate recommendations with respect to investments in U. S. Securities of monies in the Fund not needed for current expenditures; recommend reductions of these investments as additional funds are required for current expenditures. Tab B attached describes procedures applicable to this responsibility including guidelines for maintenance of subsidiary records of investment transactions.
- (16) Initiate action to have actuarial reviews, analyses, and evaluations of the Fund prepared as prescribed by the law and the reference regulation.

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- (17) Prepare operating statements and financial statements as outlined in Tab C attached.
- (18) Prepare an annual budget and, as necessary, estimate any annual appropriation required to be made to the Fund to meet annuities and other benefit payments.
- (19) Remit to the Civil Service Commission sums withheld from annuity payments for health benefit plans in effect for retirees and survivors.
- (20) Coordinate with the Office of Personnel with respect to providing or obtaining information relative to each participant's creditable service, including periods of service prior to becoming a participant, when applicable, as well as pertinent general information concerning participants, retirees, and survivors.

b. Chief, Monetary Division shall:

- (1) Provide Compensation and Tax Division with documentation to identify monies transferred from CSC or paid by participants for prior service credits or voluntary contributions.
- (2) Act on recommendations by Chief of Compensation and Tax Division relative to investment transactions; consult with appropriate Treasury Department officials and complete the processing of investment transactions, including both purchases and sales. Obtain from the Treasury Department evidence of investment transactions and credits for interest earned on securities held on behalf of the Fund. Refer to Tab B for detailed procedures.

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c. Chief, Accounts Division shall:

Collaborate with the Chief, Compensation and Tax Division in the monthly reconciliation of the reciprocal account representing monies available to the Fund for disbursement and in other Fund accounting matters.

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R. H. FUCHS
Director of Finance

CONCUR:

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Director of Personnel

1 MAR 68
Date

Attachments:

- Tab A - Summary of Memorandums and Letters
- Tab B - Procedures for the Investment of Monies
- Tab C - Preparation of Financial Statements

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TAB A

SUMMARY OF MEMORANDUMS AND LETTERS PERTAINING TO SPECIFIC ACTIONS,
AUTHORIZATIONS, AND COOPERATION BETWEEN OFFICES PERTAINING TO THE
ADMINISTRATION OF THE CIA RETIREMENT AND DISABILITY FUND

1. Actuarial Services

The DCI by letter dated 12 June 1965 to the Secretary of the Treasury requested the services of a Government Actuary, Mr. Cedric W. Kroll, who has been performing actuarial service for the Foreign Service Retirement and Disability System. The Secretary concurred in this request by reply dated 25 June 1965.

2. Computation of Additional Annuity Benefits from Voluntary Contributions

The Director of Finance in a memorandum dated 28 June 1965 to the DCI, subject: CIARDS - Annuity Benefits from Voluntary Contributions, recommended that, in the absence of appropriate CIARDS data from which specific schedules of benefits could be developed and because of the similarity between CIARDS and the Foreign Service Retirement and Disability System (FSRDS), computations of annuity benefits payable on voluntary contributions to CIARDS annuitants be based upon schedules used by FSRDS until such time as schedules specifically applicable to CIARDS could be developed. The DCI approved this recommendation on 10 July 1965.

3. Verification of Periods of Qualifying Service

A memorandum to the Director of Personnel from the Director of Finance, dated 4 June 1965, subject: Verification of Periods of Service for Participation in the CIARDS, summarized the results of a meeting on this subject and stated some of the limitations of resources available to the Office of Finance for verification of periods of service. It was agreed that the Office of Personnel would serve as a focal point for initial verification of periods of service; upon receipt of written requests from the Office of Personnel, the Compensation and Tax Division of the Office of Finance would verify, to the extent feasible, periods of creditable service needed to complete the minimum of 60 months required for participation in CIARDS.

4. Investments of CIARDS Funds in U. S. Securities

- a. The Deputy Director for Support in a memorandum to the DDCI dated 26 August 1965, subject: Approval of Investments Under

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TAB A

the CIA Retirement Act and Related Procedures cited a provision of the CIA Retirement and Disability Act which stated in part that the Director "... may, with the approval of the Secretary of the Treasury, invest ... in securities of the U. S. such portion of the fund..., etc.," and recommend that, in the interests of expediting the processing of investment transactions, authority be delegated to the Director of Finance to consummate these transactions with the Secretary. This recommendation was approved 27 August 1965.

- b. In a letter to Mr. John K. Carlock, Fiscal Assistant, Department of the Treasury, dated 9 September 1965, from the Director of Finance, basic procedures for processing the investment transactions were stated. (Detailed procedures which were developed for processing investment transactions between the Agency and the Treasury are described in Tab B attached.)

5. Remittance to the CSC of Amounts Withheld from Annuities for Health Benefit Plans

Following conversations with Mr. Charles Overend, Assistant Director for Operations, Bureau of Retirement and Insurance, of the CSC, procedures were developed for transmitting the amounts of withholdings for the subject health benefit plans. These procedures were summarized in a Memorandum for the Record, dated 17 September 1965, subject: Amounts Withheld for Health Benefits from Annuity Payments to Retirees Under the CIA Retirement System, prepared by a member of the Policy and Planning Staff, Office of Finance. Since the CSC absorbs the Government's share of the cost of the health benefits granted to retirees and survivors, Forms 2812 will be modified as explained in the cited memorandum, and will be hand-carried to CSC with a check representing the amounts withheld from annuities. The CSC will add its contribution to the cost of the health benefits and remit the total premiums due to GEHA or to any other insurance carrier concerned.

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TAB B

PROCEDURES FOR THE INVESTMENT OF MONIES OF THE CIA RETIREMENT
AND DISABILITY FUND IN SECURITIES OF THE U. S. GOVERNMENT

REFERENCE: Letter to Mr. John K. Carlock, Fiscal Assistant Secretary,
Department of Treasury, dated 9 September 1965, from
Director of Finance concerning investment procedures.

The following procedures are prescribed for use by the Chiefs of the Compensation and Tax Division, and the Monetary Division, in cooperation with officials of the Treasury Department, based upon referenced letter, for handling transactions concerning amounts of the CIA Retirement and Disability System Fund (hereinafter referred to as the Fund) which are invested in U. S. Securities and interest on such securities held.

1. Recommendation to Make Investment

The Chief, Compensation and Tax Division shall determine amounts of Fund monies which may be considered for investment. This determination shall be made not less frequently than monthly except that at no time should surplus funds available for investment be permitted to accumulate in excess of \$250,000.00 without a determination being made as to its availability for investment. This determination shall consider the amount of money on deposit in the Treasury and the amounts of income anticipated currently as related to immediate requirements for expenditures. The Chief, Monetary Division will be informed of the amount available for investment and the duration of such availability.

2. Processing the Recommendation

Upon receipt of notice of an amount available for investment, the Chief, Monetary Division shall investigate the current U. S. Securities market with Treasury officials and determine, with the concurrence of Treasury officials, a suitable series for the investment; generally, selection will be made of securities which have the best potential net yield within the group of issues which have a final maturity date suitable to the Fund requirements. The Chief, Monetary Division shall prepare a memorandum of recommendation to the Director of Finance which shall include identification of the specific series of securities recommended by Monetary Division for purchase and a brief explanation of the reasons for the specific recommendation.

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TAB B

3. Approval to Make the Investment

The memorandum recommending investment of Fund monies, including current receipts, proceeds from sales or redemptions, and interest received on investments, shall be submitted to the Director of Finance for his written approval prior to proceeding with the transaction.

4. Request to Treasury to Purchase Securities

After the Director of Finance has approved the recommendation, the Chief, Monetary Division shall telephone the appropriate Treasury official (currently Mr. Paul H. Taylor, code 184 - Ext. 5631 or Ext. 5652) and request purchase of the specified securities on behalf of the Fund in accordance with the general provisions of the reference; the total transaction cost not to exceed the amount available. A notation concerning the verbal instructions to Treasury officials shall be made on the memorandum of recommendation.

5. Reimbursements to Treasury for Securities Purchased

Upon telephonic confirmation from the Treasury official to Chief, Monetary Division that the investment transaction has been completed and the exact total cost to the Fund has been indicated, the Chief, Monetary Division and Chief, Compensation and Tax Division shall arrange for the immediate preparation of a Treasury check payable to the Treasurer of the United States in the amount of the transaction. The check shall be transmitted with a memorandum in which the details of the telephonic transaction are summarized and confirmed. The Treasury requires a check within 24 hours after consummation of the purchase action; therefore, the check and memorandum shall be hand-carried to Treasury. One copy of the transmittal memorandum shall be signed by a designated Treasury official acknowledging delivery of the check and returned for Agency files.

6. Confirmation of Investment Transactions and Securities

Treasury officials will provide the Chief, Monetary Division with Form No. BA6118, Notice of Investment Transaction, following the completion of each transaction. This form is furnished in a signed original and one copy. Monetary Division will transmit the signed original to C&TD to support the transaction on the CIARDS records. Within a few days following the date of each

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TAB B

transaction, Treasury Department officials also will furnish the Agency a safekeeping receipt evidencing the retention of the actual securities by the Federal Reserve Bank. This safekeeping receipt shall remain in the custody of the Monetary Division.

7. Summary of Securities Held

Every six months, Treasury will provide the Agency with a summary report of all securities currently held on behalf of the Agency for reconciliation purposes. Reconciliation of this report to Agency records shall be the responsibility of Policy and Planning Staff of the Office of Finance.

8. Credit for Interest Received and Proceeds from Securities Sold

- a. The designated Treasury official will notify a representative of Monetary Division of the amounts involved whenever interest payments on securities are due or when securities have been sold. To evidence this credit to the Treasury accounts the Treasury official will prepare Form 209, Certificate of Deposit, for the appropriate amount and present the form to the Treasury's Cash Room. The triplicate copy of Form 209 will be flagged to be held in the Cash Room "for personal pickup". A representative of the Agency's Treasury Disbursing Office will obtain the triplicate copy from the Cash Room, and initiate action to have the credit transferred to the Agency deposit fund account, and will obtain a receipted copy of the Form 209 for Monetary Division use in supporting an Agency posting voucher for recording the deposit. A copy of the posting voucher and the Form 209 will be provided to the Compensation and Tax Division as a basis for recording the transactions in the CIARDS accounts.
- b. Whenever interest payments or sales transactions cover two or more series of securities, the Treasury representative will furnish the Agency a summary of the payments applicable to each series.

9. Accounting for Investment Transactions and Securities

The Chief, Compensation and Tax Division shall ensure that appropriate accounting records are maintained concerning investment transactions, interest earned, and that periodic reconciliation is made between the Treasury's summary of securities being held on behalf of the Fund

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TAB B

and the Agency's subsidiary records of such securities. Attachment A to this Tab prescribes a format for a Register of Investments, a Schedule of Amortization of Discount and Premium and Accrued Interest Receivable, by series.

10. Sales of Securities

The need for liquidating investments in securities should be anticipated by the Chief, Compensation and Tax Division and although it may be several years subsequent to the date of this Instruction before securities must be sold, it eventually will be necessary to liquidate securities to produce additional operating funds. Procedures for sales transactions will follow approximately the same pattern as the purchases, i.e., determination by Chief, Compensation and Tax Division of amounts needed, consultation by Chief, Monetary Division with Treasury official concerning specific issues and amounts to be liquidated based upon the then current market, formal recommendation to the Director of Finance by Chief, Monetary Division, approval by the Director of Finance, consummation of the sales transactions by Treasury officials, and credit to the Fund of the net proceeds realized from the sales transactions.

Attachment A: Part I - Register of Investments

Part II - Schedule of Amortization of Discount and
Premium and Accrued Interest Receivable

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TAB B
ATTACHMENT A
PART II Page 2

SCHEDULE OF AMORTIZATION OF DISCOUNT AND PREMIUM
AND ACCRUED INTEREST RECEIVABLE BY SERIES
4% UST BONDS 2-15-80

General Rules for Computations

- a. Amortization will be computed on a straight line basis.
- b. Computations will be based upon whole months; 15 days or more will be considered a whole month.
- c. Amortizations of discount and premium will be computed and recorded at the end of each quarter.
- d. Premiums on purchases and unamortized discount on sales will be recorded in parenthesis.
- e. The amortization computation for each quarter represents the amount required to reduce the cumulative balance column to an amount that will be the exact product of the remaining months to maturity times the current cumulative rate of amortization.
- f. The computation of unamortized discount or premium applicable to securities sold before maturity is illustrated as follows:

(1) Cumulative balance of unamortized premium on discount prior to sale	\$ 63,438.58			
Par Value of holdings prior to sale	1,450,000.00	x	\$300,000.00	=
			(Par Value of Sale)	
<u>\$13,120.70</u>	Unamortized Discount	=	\$83.04	Monthly Rate of
158	No. of months to maturity			Amortization
(2) Unamortized discount from above	\$13,120.70			
Less: 1 Months Amortization for time held during the quarter prior to sale	<u>83.04</u>			
Unamortized discount applicable to sale	<u><u>\$13,037.66</u></u>			

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TAB B
ATTACHMENT A
PART II Page 3

SCHEDULE OF AMORTIZATION OF DISCOUNT AND PREMIUM
AND ACCRUED INTEREST RECEIVABLE BY SERIES
4% UST BONDS 2-15-80

General Rules for Computations (Con't)

- g. The computation of accrued interest receivable is illustrated as follows:

9/30/65 - Investment No. 1 purchased 9/15/65 has accrued $1\frac{1}{2}$ months interest as of 30 September

$\$461,500.00 @ 4\% = \$18,460 \text{ p.a.};$

$1\frac{1}{2} \text{ mos} = \$2,307.50$

12/31/65 - Investment No. 1 and Investment No. 6 (purchased 16 November 1965 have accrued $4\frac{1}{2}$ months interest as of 31 December 1965 reporting date.

$\$873,500.00 @ 4\% = \$34,940 \text{ p.a.};$

$4\frac{1}{2} \text{ mos} = \$13,102.50$

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TAB C

PREPARATION OF FINANCIAL STATEMENTS
FOR THE CIA RETIREMENT AND DISABILITY FUND

1. GENERAL

The calendar year shall be considered the fiscal year for this Fund. To effect the reconciliation prescribed in paragraph 3c of OFI 131 a trial balance will be taken from the general ledger accounts at the end of each month. To periodically report on the status of the Fund for financial analysis purposes, the account balances, following entries for accruals, will be used for the preparation of quarterly financial statements as described below.

2. PROCEDURES

a. General Ledger Trial Balance

After all current transactions applicable to the calendar quarter are recorded, prepare a trial balance of all general ledger accounts as illustrated on Attachment A to this Tab.

b. Accruals

- (1) The following income and expense accounts will be subject to accrual procedures for financial statement purposes.

(a) Income

- (1) Compulsory Contributions
- (2) Agency Contributions - Matching
- (3) Interest on Investments
- (4) Amortized Discount on Investments

(b) Expense

- (1) Annuity Benefit Payments - Retirees
- (2) Annuity Benefit Payments - Survivors
- (3) Amortized Premium on Investments

- (2) Guidelines for computing accruals shall be as follows:

- (a) Compulsory Contributions (9420) and Agency Contributions (9426). Any amounts applicable to salary of participants earned through the end of each calendar quarter but not received by the Fund will be estimated and accrued. The accruals

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TAB C

will be based on the amounts of CIA retirement contributions recorded on the last Agency payrolls for which contributions were received by the Fund. The amount of employees' retirement contributions will be divided by the number of work days for the appropriate pay period (10 for vouchered and 20 for confidential) and the quotient obtained will be multiplied by the number of work days (including holidays) from the end of the last recorded pay period to the end of the calendar quarter. The amount of accrued Agency Contributions will be identical to the amount computed for employees' contributions.

(b) Interest on Investments (9432)

The investment records described in Tab B will be used as basis for computing an amount of interest accrued from the effective dates of the last recorded interest payments through the end of the current calendar quarter.

(c) Unamortized Discount and Premium on Investment (9110 and 9111). The amount of accrued discount and premium as applicable will be determined for each calendar quarter based upon the schedules in the investment records (Tab B).

(d) Annuity Benefit Payments - Retirees

(e) Annuity Benefit Payments - Survivors

Regularly scheduled payments due but not paid as of the end of each quarter will be accrued.

c. Financial Statements

Statements will be prepared from the account balances as shown on the Trial Balance as follows:

(1) Statement of Income and Expense

At the end of each calendar quarter, prepare a Statement of Income and Expense as illustrated on Attachment B. Reflect only those accounts having actual balances.

(2) Statement of Financial Condition

At the end of each calendar quarter, prepare a Statement of Financial Condition, as illustrated on Attachment C. Reflect only those accounts with actual balances.

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TAB C

(3) Distribution of Copies

Copies of the financial statements shall be distributed to:

- (a) Director of Personnel
- (b) Deputy Director for Support - 2 copies
- (c) Director of Finance
- (d) Compensation and Tax Division - File
- (e) Policy and Planning Staff

Attachments:

- A - Trial Balance
- B - Statement of Income and Expenses
- C - Statement of Financial Condition

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